

Minutes of the Meeting of the Lottery Advisory Commission  
September 21, 2005

Attendance

A meeting of the Lottery Advisory Commission was held from 2:00 to 4:00 p.m. on Wednesday, September 21, 2005, in the Sakakawea Room of the State Capitol in Bismarck. Representing the Commission were Chairman RaeAnn Kelsch, Representative Lois Delmore via teleconference, Senator Jerry Klein, Mr. Laurel Thoreson, and Ms. Darlene Watne via teleconference. Representing the North Dakota Lottery (Lottery) were Mr. Chuck Keller, Director, Ms. Eileen Walsh, Sales and Marketing Specialist, Ms. Sherry Maragos, Customer Service Specialist and Mr. Scott Tarno, Customer Service Specialist, Ms. Danielle Schaefer, Administrative Staff Officer, and Ms. Missy Reich, Administrative Assistant. Mr. Dave Bren of H2M (advertising agency) was also present. No member of the public attended.

Representative Delmore made a motion to approve the minutes of the April 20, 2005 meeting and June 7, 2005 teleconference. Commissioner Watne seconded the motion. The motion passed 5-0.

Statement of Revenues and Expenses

Mr. Keller provided an overview of the unaudited Statement of Revenues and Expenses and Changes in Net Assets for the fiscal year ended June 30, 2005. Gross sales for the biennium were about \$25 million. About \$7.2 million will go the state general fund. Projected sales for the 2005-2007 biennium are \$36 million and projected state general fund revenue is \$10 million. Through September 21, 2005, gross sales for the first quarter of the 2005-2007 biennium are \$3.7 million.

Mr. Keller distributed game sales information for the September 17, 2005 draw. The Lottery had the highest per capita sales for Hot Lotto of 0.040 and for Wild Card 2 of 0.031. The Lottery's per capita sales for Powerball of 0.205 was slightly below the average of the other 28 Powerball jurisdictions. The Lottery ranked 4<sup>th</sup> in the Power Play percentage at 32.7%.

Marketing Activities

Ms. Walsh provided the Commissioners with samples of Point-of-Sale items distributed to retailers since May 2005. She provided an overview of the Power Play Retailer Clerk Promotion held in May, the Summer Winner Awareness Campaign, 10 Millionth Ticket Promotion held in August, Powerball Matrix change in August, and new brochure racks. A Power Play promotion is planned for October that will focus only on retailers located in Cass County.

Retailer Activities

Mr. Tarno and Ms. Maragos split the 400 Lottery retailers between them to cover the state more effectively. A minimum sales quota of \$250 per week per retailer was set one year ago as the standard for evaluating the sales performance of retailers. Retailers that were not meeting this quota were sent a letter through with the Lottery offered its assistance. The licenses of two retailers were not renewed because the retailers' sales were below the standard during the past year and the retailers' efforts did not increase sales to a reasonable level.

Mr. Tarno and Ms. Maragos provided an overview of the 10 Millionth Ticket and Powerball Power Play Retailer Clerk Promotions. Ms. Maragos indicated that the Lottery's booth at the North Dakota State Fair was a success. Total attendance at the fair was 244,000 people. The Lottery is reviewing the effectiveness of staffing a booth at the fair and other special events and is considering the possibility of a retailer selling tickets at these types of events. Mr. Tarno and Ms. Maragos indicated they desire to focus on more training for all retailers.

The Lottery will staff a booth at the ND Petroleum Marketers Association convention on October 26<sup>th</sup> in Fargo. The drawing for the Power Play promotion winners will be drawn during the morning of this convention.

### Subscriptions

Ms. Schaefer provided an overview of the subscription service that will begin on November 1<sup>st</sup>. A person may purchase a subscription for 26, 52, or 104 draws through the Lottery's office. No subscription payments will be accepted by retailers. Subscribers must be at least age 18 and have a North Dakota mailing address. Players can make payment by cash, check, or debit/credit card. The Lottery will absorb credit card transaction fees.

Retailers will receive a 5 percent commission on any subscription initiated by their business. No commission will be provided to retailers on renewed subscriptions solicited by the Lottery. Ms. Schaefer stated that a direct mailing will be going to North Dakota players who had participated in the State Fair promotion or who have previously submitted a winning claim ticket to the Lottery.

### Launch of the Game "2by2"

The Lottery will be joining Kansas and Nebraska in the 2by2 game, the Lottery's fourth multi-state game. Drawings for the game are held six days a week, Monday through Saturday. A player picks two red numbers from 1-26 and two white numbers from 1-26. Odds of winning the game are 1:3.6 and the jackpot prize is a fixed \$20,000. The planned launch date of the 2by2 game is February 2, 2006. Plans for launching the game at one or more retailers will be developed in the near future and commissioners will be invited to participate.

### Draft Administrative Rules

Mr. Keller provided an overview of substantive proposed changes to the draft administrative rules. These rules included the addition of subscription services and 2by2 game. The three game rules chapters were consolidated and condensed. Except for emergency rules, the amended rules will be effective April 1, 2006.

### Lottery Letterhead

The Lottery has surveyed other state lotteries' use of letterhead and business cards. The survey focused on state lotteries that are also under another State agency as the North Dakota Lottery is a division of the Office of Attorney General. The Lottery's present letterhead and business cards can be intimidating to retailers and players and do not portray the Lottery's logo or a business enterprise that is fun and entertaining. Also, a legislator criticized the Lottery for using Attorney General Office letterhead for marketing purposes.

Mr. Keller asked for the commission's recommendation for consideration by the chief deputy attorney general. All commission members recommended that the Lottery develop special letterhead for its general correspondence and business cards.

### Omnibus Items

Mr. Keller provided the commissioners with a copy (attached) of the Lottery's 2003-05 Biennium Report that includes background information, mission statement, significant accomplishments, and future objectives – 2005-07 biennium.

Mr. Keller provided the commissioners with an overview of how the Compulsive Gambling Prevention and Treatment funds are being applied by the Department of Human Services. The application to date was:

Treatment	\$138,477
Media Campaign	49,221
Provider Certification	<u>22,775</u>
Total	\$210,473

### Adjournment

Commissioner Delmore made a motion to adjourn the meeting. Commissioner Watne seconded the motion. The motion passed 5-0.

Meeting adjourned at 3:50 pm